



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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File: UTU-74631
UTU-74640
Office: (UT-090)

Date: 07/17/11
To: Minerals Files UTU-69789, UTU-74631 and UTU-74640
From: Ted McDougall, Geologist
Subject: Surface Management Site Inspection, Utah Energy Corp., Daneros Expl. Project, UTU-69789 (E0370122); Daneros Mine Project UTU-74631 (M037/0121); and Lark-Royal Project, UTU-74640 (E037/0166), Bullseye Canyon, San Juan County, Utah.

Date of Inspection: 07/17/11
Time of Inspection: 10:30 A.M.
Participants: Ted McDougall, Mike Shumway, and Taylor Shumway
Legal Description: T. 37 S., R. 18 E., Section 06
Mining Claims Involved: Daneros 1-4, 17, Tessy 4 and Lark Group
Claimant/Operator: Utah Energy Corp. (UEC)
Bond Amount: Daneros Expl - \$5,000; Daneros Mine - \$81,120; Lark/Royal Project - \$29,530

Daneros Mine/ UTU-74631

The Daneros Mine has been acquired by Denison Mines. Mine operations are transitioning from UEC to Denison. Denison is in process of transferring the plan of operations and filing a replacement surety with the BLM and UDOGM.

Currently, the operator is driving development drifts underground so mine production consists primarily of development rock (waste rock) rather than ore. As a consequence, the available space for waste rock disposal has been nearly exhausted. It is estimated that, at the current production rate, the mine will run out of space for waste rock within 5-6 months. UEC is currently working on a modification of its plan of operations which will utilize an area near the old Bullseye mine for waste rock disposal.

The operator received authorization from the State of Utah (stream alteration permit) to improve the

M/037/0121
cc: Tom

wash crossing. The approved haul road alteration is complete. Large culverts have been installed in the drainage crossing and the grade of the road has been raised to alleviate the problem of heavy equipment crossing during inclement weather periods.

Construction work is beginning on the two ventilation bore holes. I reminded Mike that one of stipulations in the approved plan of operations requires that the development rock from the two vent holes be stockpiled separately from the topsoil so that it can be retrieved and placed as cover material over the waste rock prior to topsoiling. It will be tight, but it appears that there is still sufficient space to store the vent development rock on site.

Daneros Exploration Project/UTU-69789

The BLM and UDOGM are still holding a \$5,000 bond for revegetation. That work still needs to be done on drill pads and some access. Some of the drill roads on the Daneros exploration project will be required for long-term mine support to access the two approved ventilation bore holes and two other proposed ventilation bore holes as part of the mine plan modification. That portion of the exploration bond in common with the mine plan modification can be released once it is accounted for in the mine modification and replacement surety.

Lark-Royal Project/UTU-74640

The current bond is \$29,530. Mike said that they still have not completed all of the approved drill holes on the project so reclamation is still pending. One ventilation bore hole is being proposed within the area of the Lark-Royal project as part of the mine plan modification. The access road to the vent hole would be in common with the main drill road for the Lark-Royal project. Therefore, it will be included in the mine modification and replacement surety. Once that is done it can be released from the Lark-Royal project.



Daneros Mine – haul road across wash looking toward mine portal area.



Daneros Mine – Ore stockpile in foreground. Waste rock pile in background.